



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

**AUDIT REFERRAL # 11-04**

August 9, 2011

**MEMORANDUM**

**To:** Christopher Hughey  
Acting General Counsel

**Through:** Alec Palmer *for PC*  
Staff Director

**From:** Patricia Carmona *PC*  
Chief Compliance Officer

Thomas Hintermister *TH*  
Acting Assistant Staff Director  
Audit Division

Thomas J. Nurthen *TJN*  
Audit Manager

**By:** Mary E. Moss *ME Moss*  
Lead Auditor

**Subject:** John Edwards for President - Referral Matter

On July 28, 2011, the Commission approved the final audit report on John Edwards for President. The final audit report includes the following matter that is referable:

**Failure to Itemize Loan Repayments**

All workpapers and related documentation are available for review in the Audit Division. Should you have any questions regarding this matter, please contact Mary Moss or Tom Nurthen at 694-1200.

**Attachments:** Finding 3 – Failure to Itemize Loan Repayments

**cc:** Lorenzo Holloway

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### **Finding 3. Failure to Itemize Loan Repayments**

#### **Summary**

During audit fieldwork, the Audit staff identified loan repayments, totaling \$4,344,469, that were not itemized. Although JEPF reported the amounts on the Detail Summary Pages and itemized them on Schedule C (Loans) and Schedule C-1 (Loans and Lines of Credit From Lending Institutions), it did not itemize them on Schedule B-P (Itemized Disbursements). JEPF complied with the Audit staff's recommendation and amended its reports to itemize the loan repayments.

The Commission approved this finding.

#### **Legal Standard**

**When to itemize.** When a loan repayment is made to any person in any amount, the committee must report the:

name and address of the payee; and

date and amount of payment. 2 U.S.C. §434(b)(5)(D) and 11 CFR §104.3(b)(4)(iii).

#### **Facts and Analysis**

##### **A. Facts**

During fieldwork, the Audit staff identified loan repayments, totaling \$4,344,469, which JEPF did not itemize. Although JEPF included the aggregate amount of these payments on the Detailed Summary Pages, it failed to provide supporting Schedules B-P, itemizing the payments.

##### **B. Preliminary Audit Report & Audit Division Recommendation**

This matter was discussed at the exit conference. There was no obvious reason why the loan repayments were not itemized, but a JEPF representative agreed to amend the committee's reports as necessary.

The Audit staff recommended that JEPF file amended reports itemizing the loan repayments on Schedule B-P, line 27(b).

##### **C. Committee Response to the Preliminary Audit Report**

In response, JEPF filed amended reports itemizing the loan repayments.

##### **D. Draft Final Audit Report**

In the Draft Final Audit Report, the Audit staff acknowledged that JEPF amended its reports to itemize the loan repayments.

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**Commission Conclusion**

On July 21, 2011, the Commission considered the Audit Division Recommendation Memorandum in which the Audit Division recommended that the Commission adopt a finding that JEPF failed to itemize loan repayments, totaling \$4,344,469, on Schedule B-F (Itemized Disbursements).

The Commission approved the Audit staff's recommendation.

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